

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Fabius
St. Joseph County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Statement of fiduciary net assets - Agency Fund	9
Notes to financial statements	10 - 17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	18 - 19
Sewer Capital Improvement Fund	20

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Fabius, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Fabius, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Fabius, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Fabius, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Township of Fabius, Michigan
Page 2

The Township of Fabius, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Sigfried Cendell P.C.

July 6, 2006

BASIC FINANCIAL STATEMENTS

Township of Fabius
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,410,059
Investments	1,285,218
Receivables, net	<u>121,612</u>
Total current assets	2,816,889
Noncurrent assets - capital assets, net of accumulated depreciation	<u>307,157</u>
Total assets	<u>3,124,046</u>
LIABILITIES	
Current liabilities - payables	<u>36,848</u>
NET ASSETS	
Invested in capital assets	307,157
Restricted - public safety	17,919
Unrestricted	<u>2,762,122</u>
Total net assets	<u>\$ 3,087,198</u>

See notes to financial statements

Township of Fabius
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		<u>Program revenues</u>		<u>Net (expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>revenues and</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>changes in</u>
Functions/Programs			<u>contributions</u>	<u>net assets</u>
Governmental activities:				Governmental
Legislative	\$ 12,171	\$ -	\$ -	\$ (12,171)
General government	262,666	8,396	-	(254,270)
Public safety	198,536	58,460	-	(140,076)
Public works	9,927	-	5,418	(4,509)
Health and welfare	8,991	-	-	(8,991)
Community and economic development	27,535	38,134	-	10,599
Recreation and culture	56,000	-	-	(56,000)
Total governmental activities	<u>\$ 575,826</u>	<u>\$ 104,990</u>	<u>\$ 5,418</u>	<u>(465,418)</u>
General revenues:				
Taxes				5,130
State grants				224,532
Investment income				82,057
Refuse royalties				370,898
Other				<u>1,471</u>
Total general revenues				<u>684,088</u>
Change in net assets				218,670
Net assets - beginning				<u>2,868,528</u>
Net assets - ending				<u>\$ 3,087,198</u>

See notes to financial statements

Township of Fabius
BALANCE SHEET - governmental funds

March 31, 2006

	<u>General</u>	<u>Capital Improvement</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 784,788	\$ 625,271	\$ 1,410,059
Investments	-	1,285,218	1,285,218
Receivables	<u>121,612</u>	<u>-</u>	<u>121,612</u>
Total assets	<u>\$ 906,400</u>	<u>\$ 1,910,489</u>	<u>\$ 2,816,889</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	\$ 36,848	\$ -	\$ 36,848
Fund balances:			
Reserved for building inspections	17,919	-	17,919
Unreserved	<u>851,633</u>	<u>1,910,489</u>	<u>2,762,122</u>
Total fund balances	<u>869,552</u>	<u>1,910,489</u>	<u>2,780,041</u>
Total liabilities and fund balances	<u>\$ 906,400</u>	<u>\$ 1,910,489</u>	<u>\$ 2,816,889</u>
Total fund balances - total governmental activities			\$ 2,762,122
Amounts reported for governmental activities in the statement of net assets (page 5) are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			<u>307,157</u>
Net assets of governmental activities			<u>\$ 3,069,279</u>

See notes to financial statements

Township of Fabius

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

governmental funds

Year ended March 31, 2006

	<u>General</u>	<u>Capital Improvement</u>	<u>Total governmental funds</u>
REVENUES			
Taxes	\$ 5,130	\$ -	\$ 5,130
Licenses and permits	49,618	-	49,618
State grants	229,950	-	229,950
Charges for services	55,372	-	55,372
Interest, rentals, and royalties	399,532	53,423	452,955
Other	8,051	-	8,051
Total revenues	<u>747,653</u>	<u>53,423</u>	<u>801,076</u>
EXPENDITURES			
Legislative	12,171	-	12,171
General government	252,679	-	252,679
Public safety	196,256	-	196,256
Public works	105,045	-	105,045
Health and welfare	8,991	-	8,991
Community and economic development	27,535	-	27,535
Recreation and cultural	56,000	-	56,000
Capital outlay	5,904	-	5,904
Total expenditures	<u>664,581</u>	<u>-</u>	<u>664,581</u>
EXCESS REVENUES OVER EXPENDITURES	<u>83,072</u>	<u>53,423</u>	<u>136,495</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	100,000	100,000
Transfer out	(100,000)	-	(100,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(16,928)</u>	<u>153,423</u>	<u>136,495</u>
FUND BALANCES - BEGINNING	<u>886,480</u>	<u>1,757,066</u>	<u>2,643,546</u>
FUND BALANCES - ENDING	<u>\$ 869,552</u>	<u>\$ 1,910,489</u>	<u>\$ 2,780,041</u>
Net change in fund balances - total governmental funds (above)			\$ 136,495
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:			
Capital assets:			
Assets acquired			103,597
Provision for depreciation			(14,842)
Changes in other assets/liabilities - decrease in deferred revenue			<u>(6,580)</u>
Change in net assets of <i>governmental activities</i>			<u>\$ 218,670</u>

See notes to financial statements

Township of Fabius

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2006

ASSETS

Cash	\$ <u>7,432</u>
------	-----------------

LIABILITIES

Due to other governmental units	\$ <u>7,432</u>
---------------------------------	-----------------

See notes to financial statements

Township of Fabius
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Fabius, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and refuse royalties.

The Capital Improvement Fund accounts for the financial resources used for capital improvements within the Township. Revenues are primarily derived from investment income and contributions from the General Fund.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Investments* - Investments are reported at fair value.

iii) *Receivables* - No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	5 years
Infrastructure	20 years

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year. The Township did not levy an operating tax during the fiscal year ending March 31, 2006. Property tax revenue consists solely of trailer tax fees.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The Township did not formally approve the annual budget for the fiscal year ending March 31, 2006.

NOTE 3 - CASH AND INVESTMENTS:

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 1,410,009	\$ 7,432	\$ 1,417,441
Investments	1,285,218	-	1,285,218
Cash on hand	<u>50</u>	<u>-</u>	<u>50</u>
	<u>\$ 2,695,277</u>	<u>\$ 7,432</u>	<u>\$ 2,702,709</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. Except as follows, the Township's deposits are in accordance with statutory authority. The Township holds a certificate of deposit (total value of \$47,000) with a bank that does not operate within the State. The certificate matures in 2012, but is callable by the bank.

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$567,074 of the Township's bank balances of \$1,381,074 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments. The Township's investments are carried at cost, which approximates fair market value. The Township's investments are in accordance with statutory authority.

The Township's investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

<u>Investment type</u>	<u>Carrying amount</u>
U.S. government and agency securities	<u>\$ 1,285,218</u>

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments. At year end, the average maturities of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (in years)</u>
U.S. government and agency securities:		
Federal Home Loan Bank	\$ 210,163	5.38
Federal Home Loan Mortgage Corporation	254,739	4.74
Tennessee Valley Authority Senior Notes	156,184	2.13
Treasury notes	174,057	1.92
Federal National Mortgage Association	323,600	1.77
Financing Corp CPN FICO STRIPS	166,475	1.45
	<u>\$ 1,285,218</u>	

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government are not considered to have credit risk. At year end, the credit quality ratings of the Township's investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization</u>
U.S. government and agency securities:			
Treasury notes	\$ 174,057	-	-
Financing Corp CPN FICO STRIPS	166,475	-	-
Federal Home Loan Mortgage Corporation	254,739	AAA	S&P
Federal Home Loan Bank	210,163	AAA	S&P
Federal National Mortgage Association	323,600	AAA	S&P
Tennessee Valley Authority Senior Notes	156,184	AAA	S&P

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Concentration of credit risk. State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Township's total investments are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Percentage</u>
U.S. government and agency securities:		
Federal National Mortgage Association	\$ 323,600	25%
Federal Home Loan Mortgage Corporation	254,739	20%
Federal Home Loan Bank	210,163	16%
Treasury notes	174,057	14%
Financing Corp CPN FICO STRIPS	166,475	13%
Tennasee Valley Authority Senior Notes	156,184	12%

NOTE 4 - RECEIVABLES:

Receivables as of year end are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 83,217	\$ 1,039	\$ 37,356	\$ 121,612

All receivables are considered fully collectible within one year.

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital assets being depreciated:				
Buildings and improvements	235,615	1,853	-	237,468
Equipment	22,026	3,495	-	25,521
Infrastructure	59,100	98,249	-	157,349
Subtotal	<u>316,741</u>	<u>103,597</u>	<u>-</u>	<u>420,338</u>
Less accumulated depreciation for:				
Buildings and improvements	85,038	6,276	-	91,314
Equipment	11,965	3,155	-	15,120
Infrastructure	2,336	5,411	-	7,747
Subtotal	<u>99,339</u>	<u>14,842</u>	<u>-</u>	<u>114,181</u>
Total capital assets being depreciated, net	<u>217,402</u>	<u>88,755</u>	<u>-</u>	<u>306,157</u>
Governmental activities capital assets, net	<u>\$ 218,402</u>	<u>\$ 88,755</u>	<u>\$ -</u>	<u>\$ 307,157</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 9,431
Public safety	2,280
Public works	<u>3,131</u>
	<u>\$ 14,842</u>

NOTE 6 - PAYABLES:

Payables as of year end are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	<u>\$ 14,544</u>	<u>\$ 22,304</u>	<u>\$ 36,848</u>

Township of Fabius
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - ROYALTY AGREEMENT:

The Township has a contractual agreement with a waste management company to receive a fee based upon usage at the site until the facility closes. The fee is based on the rate of 33 cents per yard. The facility has no immediate plan for closure as of March 31, 2006.

NOTE 8 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Revenues	\$ 49,585
Expenses	<u>45,440</u>
Excess of revenues over expenses	<u>\$ 4,145</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 17,919</u>

NOTE 9 - JOINT VENTURE:

Lockport, Fabius, Park Township Fire Association:

The Township is a member of the Lockport, Fabius, Park Township Fire Association (the Association), which is a joint venture of the Townships of Lockport, Fabius, and Park. The Administrative Board of the Association consists of members appointed by each participating unit and a member at-large. The Association was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2006, the Township of Fabius contributed \$65,250 as its proportionate share of the Association's budgeted costs. Complete audited financial statements for the Association can be obtained from the Treasurer of the Township of Lockport.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township annually contributes 25% of the participant's base salary and participants are immediately 100% vested. The Township made the required contributions of \$14,950. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Fabius**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 10,600	\$ 10,600	\$ 5,130	\$ (5,470)
Licenses and permits	42,000	42,000	49,618	7,618
State grants	226,140	226,140	229,950	3,810
Charges for services	57,000	57,000	55,372	(1,628)
Interest, rentals, and royalties	480,000	480,000	399,532	(80,468)
Other	11,860	11,860	8,051	(3,809)
Total revenues	<u>827,600</u>	<u>827,600</u>	<u>747,653</u>	<u>(79,947)</u>
EXPENDITURES				
Legislative	<u>11,600</u>	<u>11,600</u>	<u>12,171</u>	<u>(571)</u>
General government:				
Supervisor	54,700	54,700	22,206	32,494
Election	3,450	3,450	5,803	(2,353)
Assessor	-	-	45,757	(45,757)
Clerk	17,800	17,800	20,212	(2,412)
Board of review	1,200	1,200	945	255
Treasurer	22,250	22,250	23,907	(1,657)
Hall and grounds	12,500	12,500	18,807	(6,307)
Cemetery	2,500	2,500	2,320	180
Other	111,000	111,000	112,722	(1,722)
Total general government	<u>225,400</u>	<u>225,400</u>	<u>252,679</u>	<u>(27,279)</u>
Public safety:				
Law enforcement	87,900	87,900	91,008	(3,108)
Fire protection	90,000	90,000	65,250	24,750
Inspections	35,000	35,000	39,998	(4,998)
Total public safety	<u>212,900</u>	<u>212,900</u>	<u>196,256</u>	<u>16,644</u>
Public works:				
Road maintenance	100,000	100,000	102,743	(2,743)
Soil conservation - wetlands	3,100	3,100	2,302	798
Total public works	<u>103,100</u>	<u>103,100</u>	<u>105,045</u>	<u>(1,945)</u>

Township of Fabius**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance service	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 8,991</u>	<u>\$ 3,009</u>
Community and economic development - planning and zoning	<u>10,500</u>	<u>10,500</u>	<u>27,535</u>	<u>(17,035)</u>
Recreation and cultural - library	<u>46,000</u>	<u>46,000</u>	<u>56,000</u>	<u>(10,000)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>5,904</u>	<u>(5,904)</u>
Total expenditures	<u>621,500</u>	<u>621,500</u>	<u>664,581</u>	<u>(43,081)</u>
EXCESS REVENUES OVER EXPENDITURES	<u>206,100</u>	<u>206,100</u>	<u>83,072</u>	<u>(123,028)</u>
OTHER FINANCING USES				
Transfer to Capital Improvement Fund	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>106,100</u>	<u>106,100</u>	<u>(16,928)</u>	<u>(123,028)</u>
FUND BALANCES - BEGINNING	<u>886,480</u>	<u>886,480</u>	<u>886,480</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 992,580</u>	<u>\$ 992,580</u>	<u>\$ 869,552</u>	<u>\$ (123,028)</u>

Township of Fabius**BUDGETARY COMPARISON SCHEDULE - Sewer Capital Improvement Fund**

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ -	\$ -	\$ 53,423	\$ 53,423
OTHER FINANCING SOURCES.				
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
NET CHANGES IN FUND BALANCES	-	-	153,423	153,423
FUND BALANCES - BEGINNING	<u>1,757,066</u>	<u>1,757,066</u>	<u>1,757,066</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,757,066</u>	<u>\$1,757,066</u>	<u>\$1,910,489</u>	<u>\$ 153,423</u>

**Board of Trustees
Township of Fabius, Michigan**

In planning and performing our audit of the basic financial statements of the Township of Fabius, Michigan, for the year ended March 31, 2006, we considered its internal control in order to determine our audit procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control. Our assessment of the internal control was limited to obtaining an understanding of the internal control sufficient to plan our audit and did not include tests of controls. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

- Policies and procedures governing timely detection and correction of recording and classification errors in the accounting records for the period of April 1, 2005 through December 31, 2005 were not effective. Management implemented new accounting software in January 2006 and a review of the accounting records is being performed on a timely basis.
- Policies and procedures governing the use of credit cards were not in place.
- Policies and procedures governing extra pay, per diem pay and reimbursable expenses were not in place to assure proper documentation.
- Policies and procedures governing the budget process were not effective to assure the budget was adopted before the start of the fiscal year.
- Policies and procedures governing allowable deposits were not effective to assure compliance with statutory requirements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

July 6, 2006